

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
March 8, 2022 270 Elm Road, Bolinas

In compliance with local and state shelter-in-place orders, and as allowed by the Brown Act as currently in effect under the State Emergency Services Act, the Governor’s Emergency Declaration related to COVID-19, and the Governor’s Executive Order N-29-20 (March 17, 2020), the BCPUD’s Finance Committee did not offer an in-person meeting location for the public to attend this meeting. The meeting was limited to essential district business items and was conducted by the BCPUD’s Finance Committee, staff and public via teleconference.

1. Call to Order.

12:34 p.m.

2. Roll.

Directors Walker and Comstock present; General Manager Jennifer Blackman also present.

3. Minutes of the February 8, 2022 Finance Committee meeting.

L. Comstock/K. Walker all in favor to approve the minutes of the February 8, 2022 Finance Committee meeting.

4. Draft Update of the District’s Five-Year Capital Improvement Plan.

Staff presented revised versions of the draft Five-Year Capital Improvement Plan, beginning with the plan for the water system, which has been reorganized to reflect relative priorities per the Committee’s discussion at the prior meeting. Staff noted that the project to slip line the overflow pipe at the Woodrat 1 Reservoir is pending and will be installed in 2022, as soon as the reservoir stops spilling; it was expected to cost \$100,000, but the bid came in at \$50,000, so staff recommends reallocating the remaining funds to another project. The rehabilitation of the radial gate at the lower diversion point on the Arroyo Hondo is next, and staff has been talking with various engineers to identify someone with the appropriate experience to do a condition assessment; this project also is slated for work during 2022. With regard to the groundwater wells project, at this time the district is waiting to hear the outcome of the grant applications submitted to the Department of Water Resources; if favorable, the district will move forward with these projects in 2022, as well. As for the Woodrat Reservoir rehabilitation project, staff has devised a method to remove the azolla from the surface of the reservoir which appears to be successful; staff will be meeting with the district’s consultant next week to discuss whether any water quality monitoring work is recommended. The plan reflects the district’s proposal to collect an additional \$200,000 toward the West Tank Rehabilitation project, and to allocate the \$50,000 remaining from the overflow pipe slip line project toward the replacement of the valves and discharge piping at the Tank site (an engineering proposal is pending for that project, which staff would like to install in FY 2022-23).

Turning to the capital improvement plan for the sewer, staff said the top two projects are the wet well rehabilitation and manhole grinder project, and the project to replace the cleanout assembly on the force main; ideally both of these would be installed during FY 2022-23. Staff will soon meet with another engineer to solicit a proposal for the wet well project. A brief discussion ensued about the fact that the district will need to be bypass pumping sewage during the wet well project as it will be isolated and out of use while the rehabilitation work is done. The plan also provides that the district will collect \$37,000 to reimburse itself for the remaining cost of the new lift station generator, and \$25,000 to reimburse the final costs of the irrigation pump station project. Staff has added two projects to the plan that *might* be necessitated as a result of the treatment facility permit transition currently underway with the Regional Water Quality Control Board – possible sludge removal or dredging of Ponds 1A and/or 1B and possible chlorination or other form of disinfection treatment.

Finally, staff presented the revised five-year capital improvement plan for the building, office, vehicles and other projects, which now reflects the order of priority equipment purchases (backhoe, 4WD utility vehicle and HurcoVac), and also includes a project for “replacement of the BCPUD office building” based on the recent building inspection and discussion of the Board at the regular monthly meetings. The funds previously collected to replace the septic system and the fire suppression system (\$100,000) have been folded in to this project. Director Walker said that the Board’s Ad Hoc committee is conducting due diligence and gathering preliminary information at this time for the full Board’s consideration. Discussion ensued about the formidable cost of replacing the building, with or without a partner such as the Bolinas Community Land Trust; director Comstock said the district should begin setting aside additional funds and also evaluate potential debt financing as means by which to pay for the project.

5. Draft Fiscal Year 2022-23 Budget and related spreadsheets re: status of debt and status of reserves.

Staff presented an overview of the draft FY 2022-23 budget. First, the budget assumes a 3% cost-of-living wage increase for the staff, which is staff’s only request for the FY 2022-23 Memorandum of Understanding

(“MOU”). It also reflects the Board’s approval of the district’s payment of full dependent health care premiums for all staff, which amount to an increase in benefits costs of approximately \$40,000, or roughly an 8-10 % increase in employee services costs. With regard to general operations costs, staff applied a 3% cost-of-living increase and also adjusted some specific planned expenditures based on last year’s actual costs. Most significantly, staff has included a new expense category for “engineering and consulting services” for both water (\$50,000) and sewer (\$25,000); as has been discussed at recent Board meetings, there is a clear need to budget for this expertise on an on-going basis. On the sewer side of operations, staff has increased the plant budget from just under \$25,000 to \$35,000 based on actual expenditures during the prior fiscal year. With regard to the septic/drainage enterprise, staff has reduced the overall budget based on actual activity during recent years. Overall, staff noted that the operating budget is projected to increase by approximately \$170,000, or 14% as compared to the prior fiscal year.

The committee next reviewed the draft debt and capital expenditures: with regard to debt, the district has its ongoing annual payments on the loan that financed the Terrace Avenue Water Main Replacement Project (the payments total \$30,400 per year) and the Clean Renewable Energy Bond payments for the financing of the water and sewer solar arrays. The capital costs relate back to the Five-Year Capital Improvement Plan: \$200,000 toward the West Tank project, \$25,000 toward a new backhoe, and \$60,000 toward the wet well rehabilitation project. With regard to reserves, the budget projects a contribution to sewer reserves of \$62,000 to replenish these reserves for the balance of the cost of the lift station generator and final costs of the irrigation pump station, as noted on the CIP, as well as the annually required contribution of \$5,000 to the beach/groin maintenance fund.

Director Comstock noted that the draft budget predicts a \$170,000 increase in operating expenditures and a decline of approximately \$200,000 in capital expenditures, as well as a decline in interest income and a decline in quarterly metered water sales revenue as a result of the ongoing drought, which he said has resulted in a kind of “net neutral” draft budget (i.e., overall increase of 4% in expenses and revenues, equal to about a cost-of-living increase), necessitating staff’s proposed service charge increases of 6% (water) and 5% (sewer), and a proposed \$5 decrease in the annual septic/drainage charge. Director Comstock said he would like the committee to reevaluate the \$200,000 drop in capital expenditures in the draft budget and try and reduce that by increasing revenues. Discussion ensued about the proposed water and sewer service charge increases, as well as the likely amount of the district’s share of the County’s property tax revenue (which has increased steadily in recent years) and the anticipated interest income, which has plummeted in the last two years – interest income was \$44,000 in FY 2019-20 and dropped to under \$15,000 last year and is running at only about \$1,000 so far this fiscal year.

The committee then engaged in a lengthy discussion about possible revisions to the tiered quarterly metered water charges, including whether to increase only the two or three lowest tiers or to increase all tiers across the board; staff ultimately proposed to run a number of different scenarios for the committee to consider at the next meeting. Director Walker asked staff also to explore whether the district can offer an online payment feature. Director Comstock emphasized that his primary concern is to ensure the district collects adequate revenue from its customers to invest sufficiently in its capital improvement projects (in addition to its general operating budget). He acknowledged that the district’s revenues are forecast to be down by 90% in interest income and by 23% in water sales and said he believes the community will understand the need to increase the tiered quarterly metered water rates. That said, director Comstock emphasized that the full Board will need to consider which tiers to increase (whether to some or all of the tiers), noting that it’s a complicated social question, in addition to a financial/budgetary question. Finally, director Comstock suggested the committee consider recommending a 9% increase in the water and sewer annual service charges in order to collect additional revenues to dedicate to high priority capital improvement projects.

The committee discussed the amount of work needed to be completed by staff prior to the next committee meeting, including but not limited to the development of the tiered rate adjustment scenarios and the completion of the updated reserve spreadsheet, and the directors’ availability for a meeting or meetings in April. Director Comstock also asked staff to be sure to review the audited financial statements for the FY 2020-21 to ensure that the draft budget anticipates actual likely costs, with a focus on that year’s unanticipated expenses, such as emergency repairs and/or consulting work. The committee ultimately agreed to next meet on April 5, 2022 at 9:00 am and agreed also to meet on April 19, 2022 at 9:00 a.m., if needed.

6. Community Expression.

None.

7. Adjournment.

2:18 p.m.